

Challenging the formality bias: How can we secure access to social protection for informal workers in Kenya and Tanzania if we keep replicating a social protection format modelled on formal workers?

In the collaborative research project [SPIWORK](#) (Informal Worker Organisation and Social Protection), we challenge the formality bias and argue that the one-sided focus on formalization renders most existing formal social protection measures inappropriate and inadequate for the majority of the working populations who work in the informal economy. Consequently, there is need to design social protection measures that accommodate informal workers' needs and here important lessons can be derived from informal workers own collective initiative.

For the majority of workers in Kenya and Tanzania informality is the norm as the informal economy accounts for more than 80% of total non-agricultural employment¹. Access to formal social protection is extremely limited amongst informal workers who often face discrimination, exploitation and precarious livelihoods.

Internationally extension of social protection to informal workers is on the agenda but the dominant social protection policies and the literature on social protection come with an almost exclusive focus on donor and state programmes. Nonetheless, the coverage of the majority of these formal programmes is limited to small parts of the populations and in no way stands measure to the needs. In these circumstances, people elaborate other means of protection and cushioning against risks and vulnerabilities through extended family ties and, importantly, through different forms of collective self-organizing. These latter collective, informal, bottom-up forms of social protection are notably absent from social protection discussions, and little is known about their extent or format. It is this soaring gap in policy and literary focus that we have started to address in the [SPIWORK](#) research project by investigating the role of informal worker organisations in enabling access to both formal and informal social protection measures such as health insurance or collective representation in Kenya and Tanzania.

We draw on interview and survey data from people working in micro trading, transport, and construction. 1,462 survey interviews, 120 Key Informant Interviews and 24 Focus Group Discussions were conducted between 2018 and 2020 in four urban areas in Kenya (Nairobi and Kisumu) and Tanzania (Dar es Salaam and Dodoma). We understand the informal economy as including self-employment in informal enterprises (i.e. unregistered or unlicensed business), as well as wage employment in informal jobs (without a written contract).

Findings and lessons learned from social protection 'from below' via workers own associations

Informal workers associations differ a lot in the capabilities and resources they have, and in the forms of social protection they offer. However, most frequently found was some form of micro social insurance (in case of health-related problems and death in the near family) but also opportunity to save and receive loans. Help with negotiating with authorities (with regards e.g. to access to work space, harassment or eviction) was an issue people had often contacted their association about but which only few associations were able to help with. Finally, some form of training/ knowledge sharing or providing access to external services (loans, training or health insurance) was also offered by some associations.

While informal social protection at least in part address the needs and preferences of informal traders, it also suffers from limitations related to capacity, viability, and exclusion. Hence, access to informal social protection 'from below' via associations is in many cases exclusionary due to contribution requirements and enrollment barriers and not all associations have strong or able leadership. Nonetheless, for the workers who are members, our analysis shows that associations offer a wider portfolio of social protection than public schemes and that, they are tailored to the capacities and multiple needs of their members. Hence, we argue that important lessons can be derived by analyzing their mode and scope.

- First, and in contrast to formal social insurance, the insurance model employed via workers' own associations is directed towards timely, flexible, but limited cushioning against more short-term needs.
- Second, saving and loan functions, while limited, can help smooth income, and invest in education and at times even business development. Other measures, although less common, can contribute both indirectly (training and bulk buying) and directly (joint business activities) to enhance incomes.

- Third, with respect to voice and representation, where present, this can help address adverse effects of state governance like evictions, fines or harassment. Hence, help with negotiating with authorities was of key importance particularly for micro-traders and transport workers.

Findings and lessons learned from formal social protection

universal old age pension has recently been implemented in Kenya (and in Zanzibar but not in mainland Tanzania). Nonetheless, when it comes to health care (and pensions in mainland Tanzania), current measures available to informal workers consist of the option to individually contribute to health insurance.ⁱⁱ Our research, however, illustrates how the public schemes seem to not work well for informal workers, as shown in the relatively low enrolment rates. Whereas pension coverage was almost non-existent, health insurance coverage was found to be 41 percent for Kenya compared with 19 percent for Tanzania in accordance with the national averages reported elsewhere.

Informal workers are reluctant to take up health insurance not only (or in Kenya even mainly) because they do not have money but primarily because their earnings are irregular. Also contributing is often lack of knowledge about existing schemes and institutional constraints such as complex registration procedures, penalty charges, and poor-quality services.

Some associations play a crucial role in registration of members to a formal health insurance scheme or by directly handling members' payments via their savings. Although this was not common practice, such facilitation still points towards the potential role that some associations might play in encouraging enrolment and help prevent default among their members. A particularly interesting example is the KIKOA scheme in Tanzania which was tailored to work through the informal workers' own associations. The scheme attracted considerable interest but did not survive, partly because many people with existing medical needs enrolled.

- While formal insurance schemes are now open for informal workers, they remain modelled on the needs and abilities of formal workers and hence require beneficiaries that have the capacity to consistently provide contributions over relatively long-time horizons with a perspective on possible future needs.
- Voice and representation is not considered part of formal social protection and people in the informal economy are generally not seen as actors who should have access to representation in their own right (although there is a move in this direction with the Micro and Small Enterprises Authority in Kenya).

Conclusions and recommendations

There is a need to conceptually re-think and broaden both academic and policy discussions on social protection in order to overcome the one-sided focus on formalization as this bias renders most existing formal social protection measures inappropriate and inadequate for the majority of the working populations.

Our findings reveal that there are opportunities to learn from informal social protection approaches. Governments are advancing Universal Health Care which require bringing on board informal economy workers. But even when informal workers earnings can pay for health insurance, the challenge lies in their irregular incomes which is not in sync with the prompt monthly payment required by formal schemes. Furthermore, informal workers need to also be able to cater for multiple and short-term needs. This could be addressed for example by enabling credit from the funds accumulated by health insurance or pension schemes. Consequently, there is need for governments and development partners to design social protection measures that accommodate informal workers' needs. In doing so, a first step should be engaging informal workers in developing more appropriate policies that can provide informal workers with appropriate social protection measures. Their reality should not have to conform to an inadequate model; rather, the model should fit their reality.

ⁱ ILOSTAT. (2023). *Labour market-related SDG Indicators* [ILOSDG database]. International Labour Organization.

ⁱⁱ Both countries have plans to roll out self-contributory universal minimum health insurance schemes which will be subsidized only for very poor households, identified through means testing.